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October 11, 2006

Arizona Corporation Commission
DOCKETED

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Docket Control
Arizona Corporation Commission
1200 west Washington
Phoenix, Arizona 85007



RE: WITNESS SUMMARIES OF DIRECT, REBUTTAL AND REJOINDER
TESTIMONY UNDER DOCKET NOS. E-01345A-05-0816, E-01345A-05-0826
AND E-01345A-05-0827

Dear Sir or Madam:

Pursuant to the procedural order dated April 5, 2006, in the above referenced Dockets, Arizona Public Service Company ("APS") is hereby filing written summary for Gregory A. Delizio and Thomas J. Carlson.

If you or your staff have any questions, please feel free to call me.

Sincerely,

Brian Brumfield
Supervisor
Regulatory Affairs

BB/dst

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SUMMARY OF TESTIMONY GIVEN BY GREGORY A. DELIZIO

I. DIRECT. (As Amended by January 31, 2006 Filing)

My testimony explains the methodology for the proposed Environmental Improvement Charge ("EIC"), which would allow the Company to implement planned environmental improvements and recover the costs of these capital projects on an annual basis, as the costs are incurred. The initial EIC charge would be set at \$0.000152/kWh and be effective with customer bills rendered after January 1, 2007 (the date that it is anticipated the new rates from this rate application will be effective). I also address the proposed Green Power offerings: the Green Power Block Schedule GPS-1 and the Green Power Percent Schedule GPS-2. These offerings allow customers to obtain power from a variety of renewable resources at a lower cost than stand-alone solar power. The Company is also presenting a proposal for net metering (Rates for Renewable Resources EPR-5). This is a pilot program for renewable resource generation facilities that will provide the customer who owns renewable resource generators with a per kilowatt-hour credit for the excess generation they provide to the APS electric grid. Finally, the Company is requesting modifications to Schedule 1, the Terms and Conditions for Standard Offer and Direct Access Services, and to Schedule 4, Totalized Metering of Multiple Meters at a Single Site. These modifications will simplify the service schedules and clarify the method for applying various service charges to specific situations that commonly affect APS customers.

II. REBUTTAL.

My Rebuttal Testimony addresses a number of issues and recommendations raised by Arizona Corporation Commission Staff ("Staff") and other parties in their direct testimony concerning the Company's proposals for an EIC (including the Company's modification to the rate resulting from additional environmental compliance investment), green power (electricity from renewable resources) rates, rates for partial requirements service, and rates for renewable resources. Additionally, I address issues concerning the Company's Service Schedule 1.

III. REJOINDER.

My Rejoinder Testimony addresses comments and recommendations made by Staff and other parties in their Surrebuttal Testimony concerning the Company's proposals for an EIC, a net metering rate (EPR-5), and rates for partial requirements service (revised EPR-2, E-56 and E-57).

Staff and the Residential Utility Consumer Office ("RUCO") address the EIC in their Surrebuttal Testimony, but they do not offer any new information justifying their opposition to the EIC, nor do they substantively rebut any of the additional information concerning the EIC. In contrast, Intervenor Western Resource Advocates ("WRA") continues to support the EIC including the changes that were proposed in the Rebuttal Testimony of Mr. Fox.

Staff, RUCO, and AECC agree with the proposed change to Schedule EPS-1, as set forth in my Rebuttal Testimony, which funds an additional \$4.25 million EPS revenue requirement approved in Decision No. 68668.

The Company continues to recommend the net metering program proposed in my Direct Testimony, which includes the cap of 10 kW on individual generator size. As discussed in my Rebuttal Testimony, this requirement is consistent with industry practice and the Company has net billing and other standby rates to accommodate customers with larger generators. The Company also continues to recommend the recovery of net lost revenues associated with the net metering program for reasons discussed in my Direct and Rebuttal Testimony.

While Staff has not completed their review of the Company's proposed partial requirements rates, they have not found any issues so far. No other party opposes the rates. Therefore, the Company recommends that the Commission approve the Company's proposed partial requirements rates.

**SUMMARY OF TESTIMONY GIVEN BY
THOMAS J. CARLSON**

I. DIRECT. (As Amended by January 31, 2006 Filing)

None Filed.

II. REBUTTAL.

APS incorporates extensive use of financial and physical contracts to minimize commodity price volatility when purchasing natural gas and purchased power to serve retail load. Since price stability is the goal of our system hedge program, financial risks associated with projected requirements of these commodities are systematically hedged at various levels starting approximately three years prior to delivery with standard energy products.

APS has hedged its financial commodity risk since the late 1990's in response to market price fluctuation, with the most recent revisions to the policy in June of 2005, when APS increased its hedge percentages in light of even greater price uncertainty. The measured approach utilized by the system hedge program helps APS customers largely avoid much of the turbulence of price volatility that can occur in the short-term commodity markets. Coupled with the practice of optimizing natural gas and purchased power to provide the lowest cost commodity to meet load, the current approach to hedging financial risk can provide APS customers with future price stability.

I have reviewed the filed testimony of Mr. Antonuk and Mr. Hornby with respect to their assessment of the APS hedging program. With respect to Mr. Antonuk, I concur with the majority of his findings and characterizations as they relate to APS' hedging program. As to Mr. Hornby's testimony, there are a number of statements in his testimony that I believe are incorrect. One such issue is his failure to acknowledge the inherent cost optimization processes found in the APS hedging plan. In addition, Mr. Hornby makes certain general statements as to the propriety and effectiveness of the APS hedging policy with which I disagree, but on these issues I will defer to the testimony of APS witness Donald Brandt.